

August 25, 2008

The Honorable Jennifer Granholm
Governor of Michigan

Ms. Carol Morey Viventi, Secretary of the Senate
Mr. Richard J. Brown, Clerk of the House
State Capitol Building
Lansing, Michigan 48909

In accordance with Public Act 304 of 1982, the attached 2007 Annual Report for the Michigan Utility Consumer Representation Fund (UCRF) is transmitted to the Legislature.

The state's six largest investor-owned utilities who use cost recovery proceedings to recover purchased gas and power supply costs from ratepayers were required, under this Act, to remit a total ratepayer funded assessment of \$1,069,450 in 2007 to provide for fair and adequate representation of Michigan residential energy ratepayers in gas and power supply cost recovery proceedings, reconciliation cases and other related proceedings before the Michigan Public Service Commission. 47.5% of the revenue is allocated to fund intervenor grants, 47.5% of the revenue is allocated to the Department of Attorney General, and the remaining 5% is allocated for administrative costs.

Four new grants (UCRF 08-01, 08-02, 08-03, and 08-04) in the total amount of \$611,460 were awarded in calendar year 2007. The grants were encumbered against FY08 authorization (pending approval of the budget) available for grants of \$902,500 (\$950,000 less administrative support of \$47,000). In addition, work on cases from previously awarded grants UCRF 06-02, 06-04, 07-01, and 07-02 continued. Total funding available in previous calendar year 2005 was \$522,500 (FY06 authorization) and 2006 \$902,500 (FY07 authorization). The Utility Consumer Participation Board requested an increased authorization in FY 2007 and FY 2008, using accrued funds from previous years, to support intervention efforts of non-profit, utility consumer groups. The increase allowed the Board to fully fund the qualified proposals submitted in 2007. The cases selected for UCRF funding represent approximately 95% of the residential customers of utilities participating in cost-recovery proceedings or nearly 3 million natural gas customers and 3.5 million electric customers in the state of Michigan. Each year Act 304 cases involve decisions worth hundreds of millions of dollars. Active intervention on behalf of residential customers assures reasonable and fair planning and cost treatment for individuals who otherwise would not have a voice in this complex utility ratemaking process. Many of the reductions and disallowances achieved by UCRF funded interveners continue to benefit ratepayers over the long-term. In addition, policy reforms brought about by the active participation of UCRF funded consumer groups assure greater transparency, equity and efficiency in future energy utility planning and ratemaking.

The board continued improvements in administration and management of the grant program. Regular bi-monthly meetings, improved case status and financial reporting from grantees, budget monitoring, and website improvements enhanced the effectiveness and transparency of the program. The Attorney General's Office expended \$525,000 of UCRF funds in calendar year 2007 for intervention on behalf of the utility ratepayers of Michigan in Act 304 proceedings. The Attorney General's Office will submit its' P.A. 304 Annual Report under separate cover.

Sincerely,

UTILITY CONSUMER PARTICIPATION BOARD

Mr. Alexander Isaac, Chair

cc: Keith W. Cooley, DLEG Director

UCPB Board Members Harry M. Trebing, Sister Monica Kostielney, Marc Shulman (Vice Chair), Ronald F. Rose

**UTILITY CONSUMER REPRESENTATION FUND
ANNUAL REPORT**

CALENDAR YEAR 2007

UTILITY CONSUMER PARTICIPATION BOARD

Alexander Isaac, Chair
Sister Monica Kostielney
Ronald F. Rose
Marc Shulman, Vice Chair
Dr. Harry M. Trebing

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Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Labor and Economic Growth
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1. INTRODUCTION

Public Act 304 of 1982, as amended (Act 304) provides for the establishment and implementation of gas and power supply cost recovery clauses in the rates and rate schedules of public utilities. The Utility Consumer Participation Board (UCPB) and the Utility Consumer Representation Fund (UCRF) were further created by the Act to achieve equitable representation of interests of energy utility customers in energy cost recovery proceedings. The purpose of the UCPB is to make grants from the Act 304 Utility Consumer Representation Fund (UCRF) to qualified nonprofit organizations and local units of government to represent the interests of residential utility customers in energy cost recovery and reconciliation proceedings before the Michigan Public Service Commission, other state and federal agencies, and the courts.

This annual report to the Legislature, which is required under section 6m(22) of the Act, covers the activities of the Utility Consumer Participation Board for the 2007 calendar year.

The Utility Consumer Participation Board awarded \$611,460 in UCRF grants in calendar year 2007 to consortia of several non-profit, consumer groups. The board also continued to monitor grant work previously authorized. Grant recipients in 2007 included the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC) / Public Interest Research Group in Michigan (PIRGIM), Michigan Community Action Agency Association (MCAAA), and the American Association of Retired Persons (AARP) of Michigan. Combined, the grantees represent state-wide, nonprofit groups with over 400 member agencies and tens of thousands of individual members focused on issues related to energy, consumer protection, environmental, public health, and community action. Grant recipients reported a substantial return on monies invested in intervention. Though it is difficult to determine and validate exact monetary benefits attributable to any single party, the savings to ratepayers as a result of UCRF funded intervention exceeded \$220 million in 2007. It is important to note that some of the savings are a result of changes that all parties, including the utilities, recognize and agree to in reconciliation cases. However, many of the cost and policy issues important to residential ratepayers are raised by UCRF funded advocates and vigorously contested on their behalf. Benefits from this advocacy include disallowances, refunds, future savings from lower annual rates, improved planning, lower risk, and policy reform and innovation. The UCPB, through the administration of the UCRF, continues to advance the purpose of Act 304 and improve outcomes for residential energy customers in Act 304 and related proceedings.

In addition to UCRF grant awards, The Attorney General's Office expended \$525,000 of UCRF funds in fiscal year 2007 for intervention on behalf of the utility ratepayers of Michigan. Practices including advance review of grant applications, grant amendments, and regular reporting on case status and interventions, adopted by the UCPB continue to improve coordination of the grantees efforts with the Attorney General. Representatives of the Attorney General's office are consulted on initial grants and requests for amendments prior to board approval. This provides efficient use of resources while achieving coverage of a wide range of complex and highly specialized issues involved in major cases without duplication of effort. Expenditures and results of the Attorney General's intervention are provided in a separate annual report submitted by their office to the Legislature.

2. UCPB MAJOR RESPONSIBILITIES

MCL 460.6l provides for the creation of a Utility Consumer Participation Board, defines its membership, and prescribes its duties.

MCL 460.6m creates the Utility Consumer Representation Fund, establishes provisions for its generation, distribution and use, limits the beginning dates of cost recovery proceedings, and places reporting requirements on both fund recipients and the Board.

The duties and responsibilities of the Act under these two sections were discharged as described in sections 2.1 and 2.2.

2.1 UCPB Board Action 2007

Listed below are actions taken by the Utility Consumer Participation Board in the administration of the Utility Consumer Representation Fund from January 1, 2007 to December 31, 2007.

February 5, 2007

1. The PIRGIM Act 141 Study on Electric Industry Restructuring was submitted. General findings of the PIRGIM study include:

1) control of the electric Industry remains highly concentrated at all levels; 2) small consumers have little more effective choice of electricity products than they did prior to restructuring; 3) Restructuring has failed to deliver sustainable cost reductions, particularly for residential customers; 4) Negative consequences of restructuring for residential consumers include migration of the electric system to greater reliance on natural gas, degraded service reliability, increased reliance on purchased power, and greater exposure to financial risk; and rates for small customers have increased as “transitional” rate caps are lifted.

Important lessons for Michigan cited include:

1) retail competition for consumers has not delivered lower prices. Experimentation with alternatives such as municipal aggregation and alternatives to standard offer utility services has demonstrated more potential in delivering lower prices and choice; 2) Restructuring has shifted rather than eliminated industry concentration. Open markets, therefore, are unable to function properly; 3) consumer welfare in restructured states is shifted to the functionality of regional wholesale markets; 4) the loss of long-term, comprehensive planning authority negatively impacts stability and reliability of the electric system. A balanced portfolio approach, including demand response and energy efficiency, to managing future electricity supply may better support the interests of Michigan consumers.

Suggestions for Action in Michigan include:

1) improve the general rate case, Act 304, and Michigan planning process utilizing better defined, more comprehensive public interest considerations, procedural improvements, and proactively addressing potential issues (mitigating price volatility, load growth, modernized generation infrastructure, critical and aging baseload plants); 2) establish a green pricing option within the Act 304 processes.

2. Annual Reports for 2005 and 2006 for MEC/PIRGIM and MCAAA grants were submitted.

3. Grantees intervention in major cases is proceeding and case status reports were submitted. Mr. Keskey reported at length on spent nuclear fuel activities and the sale of Consumer’s Energy nuclear assets. Of primary concern is that the direct and associated costs for nuclear waste disposal that have been collected from ratepayers are not secured. The sale, without properly accounting for these costs and securing the ratepayer payments, shifts substantial risk to ratepayers and potentially taxpayers. Discussion and questions on the status report submitted by David Shaltz were deferred until the next meeting due to his absence.

4. A board request was made that grantee billings be brought current.

5. It was noted that 2005 UCRF Annual Report is overdue and needs to be submitted as soon as possible. 2006 UCRF Annual Report is due in July 2007. Deficiencies in the reporting requirements were discussed. The reports will largely follow the old format with notice that changes will be introduced in 2007 (pursuant to the findings and recommendations from the audit currently pending).

6. Ron Rose announced that he is not being reappointed to the UCPB. He will continue to serve until a replacement is named.

7. The next meeting is April 2, 2007, 10:00 a.m. at the Ottawa Building. Trebing will be out of town. Vice Chairman Rose will preside.

April 2, 2007

1. Case status reports were received and discussed for MEC/PIRGIM and RRC.
2. Keskey appeal of administrative decision on 15% holdback was discussed. Rose asked Mr. Liskey and Mr. Moody to provide all past correspondence for board reference. Rose moved, second by Isaac and motion carried to refer the appeal by Mr. Keskey's clients to the Attorney General and the Department to work in conjunction with one another as necessary to clearly identify the issues, frame the issues, and to resolve that matter within the Department and Board's authority under the Act, and provide the board with copies of those opinions or memo at your earliest convenience. Rose also requested that the legal opinion is confidential, drafted with a legal privilege, and distributed to the board first so that the report can be assessed and comments made prior to full distribution.
3. Draft Notice of Availability of Funds for 2008 UCRF Grant Cycle was presented for comment. Wilsey will work with Droste and Bennett to: 1) determine the dates for the 2008 grant cycle so that work on PSCR cases can begin on October 1, 2007; 2) finalize the notice; and 3) coordinate distribution.
4. Draft of 2005 Annual Report was presented. It would be submitted under the Chairman's signature once board requested additions were made.
5. Kostielney requested a copy of the Attorney General's 2005 Annual Report.
6. Rose moved, second by Kostielney and motion carried to accept the PIRGIM Electric Restructuring "Lessons Learned" study.
7. Rose moved, second by Kostielney and motion carried to table discussion of the audit report.
8. The next meeting is June 4, 2007, 10:00 a.m. at the Ottawa Building.

June 4, 2007

1. The agenda was approved with addition of RRC grant amendments request.
2. The minutes were approved with additions/corrections.
3. The following correspondences were received:
 - MEC/PIRGIM Case List dated 6/4/2007 (Keskey).
 - Compilation of AG formal opinions and Memoranda of Advice related the UCPB and UCRF
 - Report of the Attorney General for Fiscal Year 2004-2005 Pursuant to Section 6m(21) of 1982 PA 304. (Liskey)
 - Report of the Attorney General for Fiscal Year 2006 Pursuant to Section 6m(21) of 1982 PA 304. (Liskey)
 - RRC UCRF Case status report dated June 4, 2007. (Shaltz).
 - RRC Request for Modification to Grant No. UCRF-06-04 dated June 4, 2007. (Shaltz).
 - RRC Request for Modification to Grant No. UCRF-07-01 dated June 4, 2007. (Shaltz).
 - Major action summary of April 2, 2007 UCPB Board meeting. (Wilsey).
 - Draft 2008 UCRF Grant Announcement. (Wilsey).
 - Draft UCPB 2006 Annual Report. (Wilsey).
 - UCRF Financial Report dated as of 6/1/07. (Terri Eklund, DLEG).
4. Case status reports were discussed for RRC and MEC/PIRGIM.
 - MEC/PIRGIM to provide an amended case list with UCRF grant reference numbers included.
 - Procedures for amending grants were discussed pursuant to Keskey involvement in cases not funded under current grants.
 - The requirement and procedures related to Board approval of appeals was discussed.
5. Keskey reported that the appeal of administrative decision on 15% holdback was moot. Liskey commented that it was his feeling that she was acting within her authority.
6. Procedures related to Board compliance with the Open Meetings Act were discussed.
7. Final copy of the 2008 grant announcement was distributed. Public dissemination and submission deadlines were discussed.
8. Improvements in Board administration, procedures, grant review, tracking and validation were discussed.

9. Acknowledgment and distribution of the UCPB Annual Report was discussed. Isaac requested that the report be posted to the web site and notices or letters sent to interested parties.
10. The regular meeting date in August was changed from the 6th to the 27th to accommodate the grant cycle review process. Rose reminded grantees to be sure to include budget breakdowns by case to avoid delays in approving grants.
11. Rose moved, second by Kostielney and motion carried to approve RRC Grant UCRF-06-04 Amendment Request dated June 4, 2007 to shift 25 hours from the expert witness budget line item to the legal personnel budget line item with total authorized budget unchanged.
12. Isaac moved, second by Kostielney and motion carried to approve RRC Grant UCRF-07-01 Amendment Request dated June 4, 2007 to shift expert witness hours and legal personnel hours from the Consumers Energy Company, SEMCO Energy Gas Company and Michigan Gas Utilities Company 2007-2008 GCR Plan cases to the 2007-2008 GCR Plan case of Michigan Consolidated Gas Company with total authorized budget unchanged.
13. A draft of the 2006 UCRF Annual Report to the Board was distributed for review and comment. It was suggested that Board efforts related to eliminating duplication of effort between the AG and the grantee and more detailed reporting of cost savings was discussed be highlighted in the report.
14. Rose moved and motion carried to acknowledge receipt of the 2007 Auditor General Report for the Utility Consumer Participation Board.
15. Rose moved, second by Isaac and motion carried to extend the contract of Michelle Wilsey as Special Assistant to the Board for 12 months (October 1, 2007-September 30, 2008). Consideration of additional compensation was discussed. It was recommended that Trebing investigate and the Board can take up at the next meeting. Rose requested that each Board Member receive a copy of the existing signed contract.
16. Board appointments have not been announced yet.
17. Extension requests for grants expiring September 30 can be handled directly with DLEG with a letter to Ms. Droste.
18. The next meeting is scheduled August 27, 2007, 10:00 a.m., Ottawa Building, 4th Floor Training Room.

August 27, 2007

1. The agenda was approved with addition of MEC/PIRGIM UCRF 07-02 Grant Amendment request.
2. The minutes were approved as printed.
3. The following correspondences were received:
 - a. MEC/PIRGIM Case List dated 8/27/2007 (Keskey).
 - b. RRC UCRF Case status report dated August 22, 2007. (Shaltz).
 - c. Memo Re: Status Report Concerning CEC Co 2007 Plan Case, U-15001 (Keskey)
 - d. Major action summary of June 4, 2007 UCPB Board meeting. (Wilsey).
 - e. Briefing Report for 2008 Grant Application Review (Wilsey).
 - f. 2008 Grant Request Summary Budget Breakdowns (Keskey).
 - g. Memo Re: Request for funding in current and upcoming grant budgets for DECo base rate case U-15244, CEC Co base rate case U-15245; CEC Co's "Balanced Energy Initiative" in U-15290; MCV's PPA application in U-15320, and subsequent nuclear decommissioning cases dealing with reconciling Big Rock and Palisades decommissioning funds or SNF site costs, and generic or collaborative dockets involving energy efficiency and low-income customer programs. (Keskey)
 - h. AARP Michigan Grant Application for the 2007-2008 UCRF
 - i. RRC Grant Application for the 2007-2008 UCRF
 - j. MEC/PIRGIM Grant Application for the 2007-2008 UCRF
 - k. MCAAA Grant Application for the 2007-2008 UCRF.
 - l. Copy of contract and purchase order effective August 1, 2006-September 30, 2007 for UCPB Special Assistant.
 - m. UCRF Financial Report dated as of 8/22/07. (Terri Eklund, DLEG).

- n. Memo Re: Auditor General's Performance Audit of the Department of Labor and Economic Growth's Utility Consumer Participation Board (#641-0425-06L) for the period October 1, 2002 through July 28, 2006.
4. Alexander Isaac was elected Chairman and Marc Shulman was elected Vice Chair.
5. The need/resources for more extensive legal and administrative review of grant proposals, pursuant to the Auditor General's report, were discussed at length.
6. Attorney General agreed to provide legal review.
7. Rose moved, second by Trebing and motion carried to table 2008 grant application review/approval to a special meeting scheduled September 24, 2007.
8. Isaac moved, second by Trebing and motion carried to table item c, the amendment request to the September 24, 2007 meeting.
9. Rose moved, second by Isaac and motion carried to go into executive session with the three remaining board members and administrative assistant immediately following adjournment of the regular meeting.
10. A special meeting is scheduled September 24, 2007, 10:00 a.m., Ottawa Building, 4th Floor Training Room.

September 24, 2007

1. The agenda was approved with correction of the numbering.
2. No action was taken on the minutes.
3. The following correspondences were received:
 - a. MEC and MCAAA grantee responses to questions submitted by Harry M. Trebing regarding 2008 grant applications. (Keskey)
 - b. RRC grantee responses to questions submitted by Harry M. Trebing regarding 2008 grant applications. (Shaltz)
 - c. AARP grantee responses to questions submitted by Harry M. Trebing regarding grant applications. (Nelson).
 - d. RRC Grant Application Amendment (deletion of a participating agency). (Shaltz)
 - e. AARP Grant Application Amendment (increasing proposed budget). (Nelson)
 - f. Major Action Summary of 8/27/2007 UCPB Board Meeting. (Wilsey)
 - g. RRC Memo to the Board responding to general questions regarding rates, policies and other administrative issues. (Shaltz)
4. Sister Monica moved, second by Rose, and motion failed to approve the AARP Michigan Grant Request in the amount of \$140,000.
5. Trebing moved, second by Kostielney, and motion carried to approve the RRC grant in the amount of \$218,160.
6. Rose moved, second by Kostielney, and motion carried to approve the MCAAA grant in the amount of \$141,400 with the supplemental budget breakdown as presented to the Board by Don Keskey utilizing the lower end of the ranges listed for appeals.
7. Trebing moved, second by Kostielney, and motion carried to approve MEC/PIRGIM/EM in the total amount of \$191,900 with budget breakdowns and tracking by case.
8. Kostielney moved, second by Rose, and motion carried to remove MEC/PIRGIM Grant Amendment Request dated 8/24/07 from the table.
9. Rose moved, second by Trebing, and motion carried to approve the request for extension without any new cases added to that grant.
10. Rose moved, second by Kostielney, and motion carried to approve the Special Assistant contract with Michelle Wilsey in the total amount of \$19,975 effective October 1, 2007-September 30, 2008 contingent on appropriation or approval by the Administrative Board.
11. Trebing moved, second by Kostielney, and motion carried to approve the AARP application in part to include only the energy efficiency and conservation issues described in priority 1 of the proposal in the total amount of \$60,000.
12. The Board requested DLEG draft contract language for appeals that would allow an initial expenditure of \$600-800 to file a claim of appeal within the parameters of an existing case budget. To advance the

appeal beyond filing the claim of appeal it must be approved by the Board.

13. The next meeting was rescheduled from October 1, 2007 to December 3, 2007, 10:00 a.m., Ottawa Building, 4th Floor Training Room.

December 3, 2007

1. The agenda was approved with correction of the numbering.
2. Minutes of the August 27, 2007 and September 24, 2007 meetings were approved.
3. The following correspondences were received:
 - a. Major Action Summary of 9/24/2007 UCPB Board Meeting. (Wilsey)
 - b. RRC Case Status Report. (Shaltz)
 - c. MEC/PIRGIM/EM Case Status Report. (Keskey)
 - d. RRC Letter of Response "Reply to Your 10-25-07 Email" to Dr. Trebing. (Shaltz).
 - e. No financial report was received. AARP to provide status report within next few days.
4. Isaac moved, second by Kostielney and motion carried to approve the request by Wilsey to attend the Energy Michigan meeting on behalf of the UCPB, as well as any Board Members that wish to attend.
5. Isaac moved, second by Kostielney, and motion carried to adopt the following 2008 regular meeting dates for the UCPB: February 4, April 7, June 2, August 4, October 6, December 1. All meetings will be held at 10:00 a.m., Ottawa Building, 4th Floor Training Room, Lansing, Michigan.
6. The next meeting is scheduled Monday, February 4, 2008, 10:00 a.m., Ottawa Building, 4th Floor Training Room.

2.2 UCRF Grants Awarded in calendar year 2007 (9/24/2007) and current status of previously awarded grants.

Grant ID	DESC	Term	Amt Requested	Amt Awarded (Amt Expended to date)	Remaining Unspent Funds from Grant Awards
UCRF 06-01 PAYS America CLOSED	Development of Pay-As-You-Save (PAYS) Conservation Tariff for SEMCO service areas cooperatively or through GCR Plan Case.	11/1/2005-9/30/2006	\$157,725	\$83,933 (\$77,501) Grant Complete	6432
UCRF 06-02 MEC/PIRGIM	Intervention in 2006 PSCR Plan Cases for CECO (U-14701), DECO (U-14702); Intervention in 2005 PSCR Reconciliation Cases for CECO (U-14274R), DECO (U-14275R); and related court cases/appeals (U-14467).	12/7/2005-12/6/2006	\$101,000	\$82,749 (\$81,582)	1167
UCRF 06-03 MCAAA CLOSED	Intervention in 2006 GCR Plan Cases for CECO (U-14716), MichCon (U-14717); Intervention in 2005 GCR Reconciliation cases for CECO (U-14403R), MichCon (U-14401R; and related court cases/appeals (U-14467).	12/7/2005-12/6/2006	\$121,200	\$100,719 (\$100,719)	0
UCRF 06-04 RRC/MLHS	Intervention in 2006-07 GCR Plan Cases for CECO, MichCon, SEMCO, Aquila/MGU; Intervention in 2005-06 GCR Reconciliation Cases for above companies. Amended to include U-14800.	12/7/2005-12/6/2006, extended 7/30/2007	\$206,040	\$180,141 (\$153,120)	27021
UCRF 06-05 PIRGIM Supplemental to UCRF 04-05	Comp. Assessment of Michigan's Electric Restructuring Implementation & impacts on Michigan's PSCR Customers	3/22/06-9/30/06, extended 12/30/2006	\$52,458	\$52,458 (\$50,863) Grant Complete	\$1,595
Total FY06 Authorization			\$522,500	\$500,000 (\$463,785)	\$36,215

UCRF 07-01 RRC	Intervention in GCR Plan and Reconciliation Cases for Consumers Energy (CECo), MichCon, SEMCO and MGU that are scheduled in the current grant fiscal year (October 06-Nov 07). Emphasis is placed on relevant cost issues with particular emphasis on gas supply planning. In addition, RRC will monitor GCR filings of smaller utilities and target advocacy on issues that may establish adverse precedents for future large utility cases. No PSCR participation is proposed. Amended to include U-14800.	10/03/2006- 9/30/2007 Extended to 7/30/2008	\$212,000	\$212,000 (\$50,922)	\$161,078
UCRF 07-02 MEC/PIRGIM	Intervention in PSCR Plan and Reconciliation Cases for Consumers Energy (CECo) and Detroit Edison (DECo) that are scheduled in the current grant fiscal year (October 06-Nov 07) and continued participation in CECo/DECo PSCR proceedings (Plan and Reconciliation) from the previous grant fiscal year. Particular emphasis is placed on promoting energy efficiency and conservation issues. In addition to routine PSCR proceedings, the applicants propose participation in the following: several pending or potential appeals of previous PSCR cases; state and (anticipated) federal cases and appeals related to CECo/CMS proposed sale of nuclear assets; SNF refiling and potential court appeal; potential MPSC special inquiry re: energy efficiency planning and/or programs; DECo rate case or special inquiry involving Act 304 cost/rate issues. No GCR participation is proposed.	10/3/2006- 9/30/2007	\$393,900	\$393,900 (\$345,875)	\$ 48,025
Total FY07 Authorization			\$902,500	\$606,000 (\$396,797)	\$209,203
UCRF 08-01 MEC/PIRGIM	2008-09 CECo PSCR Plan, 2008-09 DECo PSCR Plan, MCV PPA Application (U 15320), CECo Rate Case (U 15245), CECo Balanced Energy Initiative (U 15290), 2007 CECo PSCR Plan (U 15001), 2007 DECo PSCR Plan (U 15002), DECo Rate Case (U 15244), 2007 CECo PSCR Reconciliation (U 15001-R), 2007 DECo PSCR Reconciliation (U 15002-R), 2006 DECo PSCR Reconciliation (U 14702-R), 2006 CECo PSCR Reconciliation (U 14701-R), 2005 DECo PSCR Reconciliation (U 14275-R), Refiling/Amendment of Complaint (U 13771) , Appeals of the following cases: 2006 DECo PSCR Plan (U 14702), 2006 CECo PSCR Plan (U 14701), IM Power PSCR Plan (U 13919), CECo (U 13917), DECo (U 13808), and others that may arise from grant funded cases.	10/1/2008- 9/30/2008	\$191,900	\$191,900 (\$52,782)	\$39,118

UCRF 08-02 RRC	2008-09 CECo, MichCon, Semco, MGU GCR Plan cases. Focus on Secure, reliable supply planning for GCR customers, supplier of last resort with gas choice. Generic issues inc. interstate supply portfolio, contracts for MI produced gas, use of storage capacity, capacity release programs, third-party sales, hedging programs and alternate contract prices, impact of gas customer choice on supply planning, development of base GCR factors, estimates of GCR requirements. 2007-08 CECo, MichCon, Semco, MGU GCR Reconciliation cases. Focus on Reasonableness and prudence of utilities' gas supply planning. Implementation of gas purchasing strategy guidelines; Implementation of hedging strategies and guidelines; Evaluation of estimate of gas sales, monthly distribution of gas sales, weather normalization procedures, colder than normal protection, design peak day and winter hedging. Additional generic issues including rolling in under/over recoveries, GCR contingency factors, calculations of gas costs, revenues and allocations among rate classes, departures from approved GCR plans. Monitor other Michigan GCR dockets for relevant issues.	10/1/2008- 6/30/2009	\$218,160	\$218,160 (0)	\$218,160
UCRF 08-03 MCAAA	2008-09 MichCon and CECo GCR Plan Cases, 2005 MichCon Reconciliation (U 14401-R), 2006 CECo GCR Reconciliation (U 14716-R), 2006 MichCon Reconciliation (U 14717-R), Appeal CECO U-14403, Appeal MichCon U-13902.	10/1/2008- 9/30/2008	\$141,400	\$141,400 (\$1,168)	\$140,232
UCRF 08-04 AARP	Proposed intervention 2008-09 CECo PSCR Plan Case and 2008-09 DECo PSCR Plan Case. Focus on energy efficiency, load management rate options, DSM. Also examine MISO pricing, market stimulation policies in plans	10/1/2008- 9/30/2008	\$140,000	\$60,000 (0)	\$60,000
Total FY08 Authorization (pending budget approval)			\$902,500	\$611,460 (\$53,950)	\$557,510

2.3 Resource Availability

The total amount of grants requested for calendar year 2007 totaled \$611,460. The UCRF grant authorizations available were \$902,500 (FY08 authorization pending budget approval). The FY07 authorization was committed to grants in calendar year 2006 although work on some of the grants continued in calendar year 2007.

2.4 Resource Efficiency and Non-Duplication Due Diligence

Given the need to scale back intervention proposals in 2006, the Board has requested additional spending authorization utilizing accrued, unspent funds from previous years. The amount of funds available for grants was increased from \$522,500 (FY05), \$522,500 (FY06), to \$902,500 (FY07) and \$902,500 (FY08 pending budget approval). Four grant proposals were received by the Board. The MEC/PIRGIM proposal focused on intervention in PSCR cases with an emphasis on conservation, demand side management as well as participation in cases related to the sale of the Palisades Nuclear Energy Generation facility, and appeals of issues from previous cases. The AARP proposal sought participation in CECo and DECo PSCR Plan cases and MISO pricing and market stimulation policies in plans. The RRC work plan proposed intervention in current GCR Plan and Reconciliation cases for the four largest gas utilities in Michigan as well as monitoring of dockets of smaller companies. MCAAA proposed intervention on CECo and MichCon GCR Plan and 2006 Reconciliation cases, 2005 MichCon Reconciliation cases and appeals of previous MichCon and Consumers cases. Issues and strategies among the various parties participating in the same cases, including the Attorney General, were discussed in advance of approvals in order to eliminate actual and/or potential duplication of effort. Coordination with the Attorney General is required by the conditions of the grant. In order to monitor efforts, the Board now requires grantees to submit bi-monthly financial and case status reports for discussion at UCPB meetings.

2.5 Administrative Efficiency

The Board continued to improve administrative processes and efficiency in the following ways:

1. Utilized the revised UCRF grant application designed by DLEG Purchasing and Grant Services and the Michigan Attorney General's Office.
2. Requested the opinion of the Attorney General's office during grant review regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
3. Requested the opinion of utility representatives present during grant review as to concerns or objections regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
4. Renewed contract with part-time contractor to assist the Board and coordinate efforts with other parties of interest.
5. Followed regular bi-monthly meeting schedule.
6. Implemented bi-monthly case status reports from grantees.
7. Formalized process of written grant amendments and documented board approval.
8. Revised annual report.
9. Expanded information publicly available on the web site.

3. UCRF RESULTS

3.1 Cost/Benefit Analysis and Discussion

In creating cost recovery mechanisms that allowed utilities to recover energy supply costs from ratepayers outside of a contested rate case, the Michigan Legislature assured that Michigan's residential energy customers would be effectively represented through the creation of the UCRF. UCRF funding is collected from assessments on utilities that use the cost recovery mechanism. Therefore, the revenue for the fund is generated from ratepayers and expended for their benefit.

The PSCR and GCR cases have a "plan" and "reconciliation" phase. The plan cases for each utility set the framework and establish the cost of fuel recoverable from all customers. The reconciliation phase looks back at the assumptions and performance of the utility under the plan and "corrects" or "true-up" the plan factors with reality. The differences are then passed through to customers through collections, credits or refunds. UCRF grant funded parties advocate for the interests of residential customers in this process.

The 2007 grant recipients' proposals sought to accomplish the following primary goals:

- 1) Improve overall energy supply planning in order to reduce costs to Michigan energy ratepayers.
- 2) Scrutinize costs actually incurred by utilities are reasonable and prudent in order to assure Michigan's residential ratepayers are not bearing undue costs or risks.
- 3) Contest costs and implement safeguards associated with the sale or realignment of significant assets (including nuclear, gas storage, etc.) in order to protect Michigan ratepayers' investment and future risk.
- 4) Improve utility reporting and transparency on activities that impact ratepayer interests.
- 5) Promote the public interest in regard to environmental matters.
- 6) Obtain refunds, credits or offsets to ameliorate the cost of utility service.

There are many factors that impact assessment of effectiveness of UCRF funded intervention on behalf of residential customers including: 1) certain cases and proceedings span more than one grant year, 2) proceedings, through the appeal process, may remain pending for several years, 3) impact of a decision in one year often continues to benefit ratepayers in future years, 4) outcomes may result from multiple parties interventions and may be reported (in whole or part) by each party, 5) lack of a standardized reporting approach and validation method, and 6) indirect benefits not reflected in direct cost reductions.

For purposes of this report, costs are generally understood to be the portion of the utility assessment collected from ratepayers specifically for representation of residential customers in Act 304 cases and proceedings. Benefits generally reported include specific disallowances of recovery for specific energy costs proposed by utilities and important case developments or decisions that may positively impact ratepayers or ratepayer costs in the long-run. The direct costs reported were disallowed by the Michigan Public Service Commission as a result of Act 304 intervention efforts or were otherwise saved through negotiated settlements by the grant recipient acting in conjunction with other parties.

3.2 Summary of UCRF Grant Activity and Results

In 2007, UCRF grantees reported participation in the following cases:

GCR Plan and Reconciliation Cases (10)	PSCR Plan and Reconciliation Cases (9)	Other Act 304 Cases (5)	Appeals (12)
U-14403R	U-15417	U-15320	COA 278798
U-14400R	U-15415	U-15290	COA 274471
U-14401R	U-15002	U-15245	MSC 134474
U-15041	U-15001	U-15244	COA 252966
U-14800	U-14702	U-14992	COA 264191
U-15042	U-14702R		COA 264156
U-15040	U-14701R		COA 264131
U-15043	U-14274R		MSC 134674
U-14717R	U-14275R		COA 282741
U-14716R			COA 263262
			MSC 134559
			COA 267194

Results and activities reported by the grantees are presented in section 3.3 of this report. Complete dockets related to the cases are available through the Michigan Public Service Commission's Electronic Docket Filing System (EDocket) at www.michigan.gov/mpsc. Results for individual cases may be verified by reviewing the case docket. MPSC case numbers have been included for purposes of research and validation.

3.3 Detail Report 2007 Grant Activity and Results

Grantee: Residential Ratepayer Consortium¹

<u>Order Date</u>	<u>Case</u>	<u>Results</u>
April 24, 2007	U-14403-R, Consumers Energy GCR Reconciliation Case UCRF 06-04	<p>The RRC conducted discovery of Consumers Energy Company's testimony and exhibits and filed its expert testimony on December 11, 2006. Thereafter, settlement negotiations among the parties commenced and on March 9, 2007, a settlement agreement was reached.</p> <p>The settlement provides that:</p> <ul style="list-style-type: none"> • Consumers Energy will refund a net GCR over recovery of \$2,644,479 to its GCR customers. (This is the same amount proposed in Consumers' Application in this case.) <i>In addition</i>, Consumers will refund to GCR customers starting October 2006, 100% of the \$1.5 million it received from Delta Energy Company as a supplier refund. • the question of an appropriate hedging strategy for Consumers Energy Company may be revisited by any party in the next GCR Plan case. • Consumers will report on the Company's Joint Commodity Marketing Agreement (JCMA) and Buy/Sell Agreement activity that occurs during the April 2006-March 2007 GCR period and make such reports available to the parties in the 2006-2007 GCR reconciliation case. • The parties are free to address the appropriate amount of gas for the Company to have under contract through advance purchase commitments in the 2007-2008 GCR Plan and the 2006-2007 GCR Reconciliation cases. <p>The MPSC approved the settlement agreement.</p>
August 21, 2007	U-14400-R, Aquila Inc. Gas Cost Recovery Reconciliation Case UCRF 06-04	<p>The RRC filed conducted discovery of Aquila's testimony and exhibits and filed its expert testimony on January 4, 2007. A hearing was held on March 8, 2007. The RRC's testimony and exhibits were entered into the official record of the case.</p> <p>Aquila claimed a \$6,103,930 under recovery inclusive of interest. In its expert testimony, the RRC sought a \$2 million disallowance for unreasonable and imprudent purchasing decisions during the 2005-2006 GCR period and rejection of Aquila's request for \$1.9 million related to costs connected with the transition of ownership of the gas distribution company to Michigan Gas Utilities Corporation (MGUC). The ALJ issued a Proposal for Decision (PFD) on June 18, 2007 in which he recommended that the Commission adopt \$560,224 of the cost disallowances advocated by the RRC. The RRC filed exceptions to the PFD on July 2, 2006 and replies to exceptions on July 16, 2007. On August 21, 2007, the Commission issued its order in this case in which it endorsed the conclusion of the RRC's analysis that gas purchases made by Aquila/MGUC in February 2006 were unreasonable and imprudent. However, the MPSC repriced the disallowance associated with those actions and reduced it to \$274,097.</p>
December 18, 2007	U-14401-R, Michigan Consolidated Gas Company Gas Cost Reconciliation UCRF 06-04	<p>The RRC conducted discovery of MichCon's testimony and exhibits and filed its expert testimony on December 18, 2006. A hearing was held on March 28, 2007. The RRC's testimony and exhibits were entered into the official record of the case.</p>

¹ The Residential Ratepayer Consortium (RRC) comprises the Area Agencies on Aging Association of Michigan, Michigan Consumer Federation and Michigan League for Human Services.

		<p>MichCon claimed a \$12.6 million over recovery inclusive of interest. The testimony filed by the RRC's witness sought a disallowance of \$21.5 million for unreasonable and imprudent gas purchasing decisions during the 2005-2006 GCR period.</p> <p>The presiding Administrative Law Judge issued a Proposal for Decision (PFD) on June 14, 2007. He endorsed that part of the RRC's testimony that concluded that the way MichCon made its Dollar Cost Averaging (DCA) purchases in 2005 was unreasonable and imprudent. However, using the AG's pricing methodology, the ALJ recommended a disallowance of \$16,510,000. The RRC filed exceptions to the PFD on June 29, 2007 and replies to the exceptions of other parties on July 13, 2007.</p> <p>The Commission concurred with the ALJ and the RRC that MichCon's 2005 DCA purchases were unreasonable and imprudent, but rejected the RRC's proposed pricing of the disallowance at \$21.5 million and the AG's proposed pricing of the disallowance at \$16.51 million. Instead the MPSC adopted a disallowance of \$7.6 million as suggested by its Staff.</p>
July 27, 2007	<p>Consumers Energy Company, Case No. U-15041</p> <p>UCRF 07-01</p>	<p>The RRC conducted discovery of CEC's testimony and exhibits and filed its expert testimony on April 30, 2007. Thereafter the parties engaged in settlement discussions, the balance of the case schedule was suspended and on June 13, 2007, a settlement agreement was submitted to the MPSC. Its key features are:</p> <ul style="list-style-type: none"> • Consumers' quarterly GCR Factor adjustment mechanism factor is capped at a \$3.00/MMBtu NYMEX increase and the mechanism will operate with symmetry, i.e., the GCR factor will be adjusted for decreases in NYMEX prices, not only increases. • The parties agreed on a set of gas purchasing guidelines to be used by CEC during the 2007-2008 GCR period. • The parties agreed on natural gas hedging strategies and guidelines to be used by CEC during the 2007-2008 GCR period subject to their implementation being reviewed for reasonableness and prudence in the GCR reconciliation. • Consumers agreed that as part of its next GCR filing, it will respond to questions raised by the testimony of the RRC and the AG on the Company's estimate of gas sales, its monthly distribution of gas sales, its weather normalization procedures, its colder than normal protection, its Design Peak Day and winter hedging. <p>The MPSC approved the settlement agreement.</p>

<p>August 21, 2007</p>	<p>Michigan Consolidated Gas Company, Case Nos. U-14800 & U-15042</p> <p>UCRF 07-01</p>	<p>In Case No. U-14800, MichCon sought authority to sell 4 Bcf of native base storage gas to non-system supply customers and retain all the profits from the sale (projected at \$41.2 million) instead of retaining these supplies for GCR customers. The RRC filed a Motion to Consolidate this proceeding with MichCon's 2007-2008 GCR Plan so that the Company's request could be evaluated for reasonableness and prudence in the context of MichCon's 2007-2008 GCR Plan and five-year forecast. The presiding administrative law judge granted the RRC's motion and this request was made part of MichCon's 2007-2008 GCR plan proceeding, Case No. U-15042. In Case No. U-15042, the RRC conducted discovery of MichCon's testimony and exhibits and filed its own expert testimony on 4/9/07. Thereafter the parties engaged in settlement negotiations and on August 7, 2007, a settlement agreement was reached and submitted to the MPSC. Its key features are:</p> <ul style="list-style-type: none"> ● GCR customers will receive an estimated benefit of \$47.1 million associated with a 9.8 Bcf decrement to MichCon's storage made possible by storage field improvements at the West Columbus and Belle River Mills storage fields that will make more gas available for cycling. ● GCR customers will receive the benefit of 3.6 Bcf of native base gas at a unit price of \$0.32 per Mcf to replace that volume of purchased gas at market prices. Assuming purchased gas costs are priced at MichCon's GCR factor of \$8.49 per Mcf, this is a gas cost savings of \$29.4 million. ● MichCon agreed to a moratorium on a general rate case filing until January 1, 2009 with an agreement not to seek interim rate relief in 2009. ● MichCon will provide incremental funding for residential energy efficiency programs of \$500,000 in 2008 and \$675,000 in 2009 and agreed to propose more permanent funding in its next general rate case. ● MichCon's quarterly GCR Factor adjustment mechanism factor is capped at a \$3.00/MMBtu NYMEX increase and the mechanism will operate with symmetry, i.e., the GCR factor will be adjusted for decreases in NYMEX prices as well as increases. ● MichCon will complete and file as part of its 2008-2009 GCR Plan a survey on whether the sales losses it has experienced are temporary due to higher gas prices or whether they are the result of permanent conservation measures taken by customers. ● MichCon will reevaluate its load factors to determine the appropriate approach for the 2008-2009 GCR Plan. ● MichCon will file a storage utilization study as part of its 2008-2009 GCR Plan. ● In November 2007 through March 2008, MichCon will modify its storage plan to increase the use of its cycled storage to meet winter requirements as recommended in the RRC's testimony. This will cause an overall decrease in the need to make spot gas purchases at high winter prices and reduce gas costs to MichCon's GCR customers. ● MichCon will dedicate 68 Bcf of cycled storage for GCR and GCC customers in its next two GCR Plan filings. ● MichCon agreed to remove its Price Limit Method for setting GCR factors from this case. ● MichCon will perform a study of factors affecting its GCR cost of gas and submit that to the parties by December 15, 2007. <p>The MPSC approved the settlement.</p>
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October 9, 2007	Michigan Gas Utilities Corporation, Case No. U-15040 UCRF 07-01	<p>The RRC conducted discovery of MGUC's testimony and exhibits and on May 25, 2007 the RRC filed its expert testimony and exhibits. Thereafter, the parties engaged in settlement negotiations, the balance of the case schedule was suspended and on August 15, 2007, a settlement agreement was reached. Its key features are:</p> <ul style="list-style-type: none"> • MGU's quarterly GCR Factor adjustment mechanism factor is capped at a \$3.00/MMBtu NYMEX increase and the mechanism will operate with symmetry, i.e., the GCR factor will be adjusted for decreases in NYMEX prices as well as increases. • MGU's GCR plan should reflect a Peak Day Design level of 75 CDDD or an estimated Peak Day requirement of 207,243 Mcf. • MGU's GCR Plan should reflect zero residential customer growth and the Company will evaluate its forecasting of residential customer growth on a going forward basis. • MGU will investigate ways and means of optimizing its use of its firm transportation capacity on Panhandle Eastern Pipeline Company in the winter to minimize the cost of gas to its GCR customers. • MGU will prepare a report on the potential benefits, costs and risks associated with a risk-management hedging program and submit it as part of its 2008-2009 GCR Plan. • MGU agrees to work with the parties to address and possibly modify its monthly sales distribution methodology for determining the Company's annual total GCR sales requirements on a going forward basis. <p>The MPSC approved the settlement agreement.</p>
October 9, 2007	SEMCO Energy Gas Company, Case No. U-15043 UCRF 07-01	<p>The RRC conducted discovery of SEMCO's testimony and exhibits and the RRC filed its testimony on May 30, 2007. Thereafter the parties engaged in settlement negotiations and the remaining case schedule was suspended. On September 20, 2007, the parties reached a settlement agreement . Its key features are:</p> <ul style="list-style-type: none"> • Defining and further refining the elements of SEMCO's fixed price purchasing program for the 2007-2008 GCR period. • Defining and further refining the elements of SEMCO's term purchases for the 2007-2008 GCR period. • Setting a GCR factor and contingent factor mechanism for the 2007-2008 GCR period. • Requiring to SEMCO to file as part of its next GCR Plan a report on the allocation of its ANR Pipeline capacity between it s MPSC service Division and its Battle Creek Division. • Requiring SEMCO to perform a study and report as part of its next GCR Plan its evaluation of the possibility of reducing flowing supply for the months of January, February and March based on warmer than normal weather and/or higher than planned storage inventories. <p>The MPSC approved the settlement agreement.</p>

Grantee: Michigan Environmental Council and
Public Interest Research Group in
Michigan²

Order Date: 6/10/08	<p><u>Case</u></p> <p>MPSC Case No. U-15320, application of Midland Cogeneration Venture Limited Partnership (MCV) for changes in the formula by which charges are calculated under a purchase power agreement between Consumers Energy Company and the MCV</p> <p>UCRF 08-01</p>	<p><u>Result</u></p> <p>This case commenced on May 30, 2007 by the filing by MCV of an application to alter the formula by which charges are calculated with respect to a purchase power agreement (PPA) between Consumers Energy Company and the MCV. On September 11, 2007 MEC/PIRGIM filed an intervention in this case which was granted at a pre-hearing conference on September 18, 2007. Thereafter, following several months of discovery, motion hearings, and extensive settlement discussions, a settlement agreement was reached by all parties (MPSC Staff, Attorney General and several intervenors including MEC/PIRGIM) and signed on June 9, 2008, which was approved by a Commission order dated June 10, 2008. This case resulted in changes in certain PPA charges between CECO and MCV, and also resulted in the agreement of the Parties (as approved by the Commission) committing MCV to contribute \$5 million annually to the renewable resources program fund which is part of a program approved by Commission orders. MEC/PIRGIM advocated throughout the proceedings and settlement discussions that this commitment to contribute to this fund by MCV should be continued. The approved settlement agreement also stabilized the reliability of MCV's operations while also saving costs for ratepayers. An MPSC press release dated June 10, 2008, stated that the Commission "... approved a settlement agreement that assures that power from the Midland Cogeneration Venture Limited Partnership (MCV) will continue to serve Michigan's needs for the remaining 17 years of the plant's contract life, estimated to save ratepayers over \$40 million per year" and that the agreement "reduces Consumers Energy's fixed cost payment to the MCV in exchange for changes in operations that ensure that the plant only runs when it is economic to do so."</p>
Pending	<p>MPSC Case No. U-15290, Consumers Energy Company's application for approval of a "Balanced Energy Initiative".</p> <p>UCRF 08-01</p>	<p>This case commenced on May 1, 2007 by the filing by Consumers Energy Company of a "Balanced Energy Initiative", which is similar in some respects to an integrated resource plan (IRP), wherein the utility has presented evidence concerning its sales and load forecast, and its proposed plans for obtaining energy supplies to meet future energy needs. MEC/PIRGIM intervened in this case on June 20, 2007 which was granted at a pre-hearing conference dated June 27, 2007. Thereafter, following extensive discovery by the parties, and the filing of various motions and responses, another pre-hearing conference was held on October 11, 2007. On November 16, 2007, another hearing was held, after which the Administrative Law Judge denied motions by the Attorney General and ABATE to dismiss the case on jurisdictional grounds. Thereafter, further discovery continued, and the date for filing testimony was subsequently suspended, based upon the agreement by the parties to temporarily defer filings pending the outcome of proposed legislation. Subsequent pre-hearing conferences have been held in 2008, and a date for filing testimony has not yet been established.</p>

² MEC is a non-profit organization of 71 public interest, health, and environment organizations in Michigan representing 200,000 citizen ratepayers; PIRGIM is a statewide non-profit consumer protection and public interest organization comprising 10,000 Michigan citizen members.

Pending	MPSC Case No. U-15417, the 2008 Power Supply Cost Recovery (PSCR) case for the Detroit Edison Company (DECo). UCRF 08-01	DECo filed this case on September 28, 2007. MEC/PIRGIM filed an intervention in this case on November 15, 2007 which was granted by the Administrative Law Judge (ALJ) at a pre-hearing conference held on November 28, 2007. The case has been the subject of hearings and briefing in 2008, and a Commission order is expected in 2008.
Pending	MPSC Case No. U-15415, the 2008 Power Supply cost Recovery (PSCR) case for Consumers Energy Company (CECo). UCRF 08-01	CECo filed this case on September 28, 2007. MEC/PIRGIM filed a petition to intervene on November 14, 2007, which was granted by the ALJ at a November 21, 2007 pre-hearing. The case has continued in 2008, with discovery, the filing of testimony by the parties, including MEC/PIRGIM, and substantial briefing by the Parties. An MPSC order is pending.

<p>June 10, 2008</p>	<p>MPSC Case No. U-15245, application by Consumers Energy Company (CECo) for an increase in its electric rates.</p> <p>UCRF 08-01</p>	<p>CECo filed this case on March 30, 2007. MEC/PIRGIM filed their petition to intervene on May 4, 2007. CECo objected to the interventions of MEC/PIRGIM, and to the intervention of some 8 other parties petitioning to intervene. Thereafter, following the filing of responsive pleadings, a pre-hearing conference was held by the ALJ on May 10, 2007. The ALJ ruled that the 9 parties should file amended petitions to intervene. On May 17, 2007, MEC/PIRGIM filed their amended and supplemental petition to intervene. An addendum to this pleading was filed on May 22, 2007. CECo filed a second set of objections to the intervention of MEC/PIRGIM and other parties on May 24, 2007. Following the filing of responses, the ALJ granted MEC/PIRGIM's motion to intervene at a second pre-hearing held on May 31, 2007. Thereafter, extensive discovery, motions, hearings, and other proceedings were held in 2007. This included an application by CECo filed on July 3, 2007 for interim rate relief.</p> <p>On November 6, 2007 the Staff and all intervening parties filed testimony on CECo's request for permanent rate relief. MEC/PIRGIM filed testimony and exhibits of 4 expert witnesses. On November 20, 2007, rebuttal testimony was filed by certain other parties and CECo. On November 20, 2007 MEC/PIRGIM filed a motion to compel answers to discovery propounded by MEC/PIRGIM to CECo. On November 20, 2007, CECo withdrew its request for recovery of a "nuclear legacy investment surcharge", which was the subject of opposition testimony by MEC/PIRGIM. The nuclear legacy issues involved several matters relating to the Palisades Nuclear plant and the Big Rock Nuclear plant. MEC/PIRGIM in its filed testimony asserted, among other issues, that CECo had collected over \$32 million annually in principal from ratepayers for the years 2001, 2002, and 2003, but did not deposit said collections in the Big Rock nuclear plant decommissioning trust, which was to be the recipient of the surcharges. With interest, the undeposited amount equaled approximately \$140 million. MEC/PIRGIM also asserted that a separate trust should be established to receive all amounts collected in past years from ratepayers for pre-1983 nuclear generation that CECo had collected from ratepayers but never deposited into the federal Nuclear Waste Fund.</p> <p>MEC/PIRGIM also asserted, among other issues, that all incremental costs that CECo incurred to store spent nuclear fuel (SNF) resulting directly from the Department of Energy's (DOE) failure to commence performance of SNF disposal under the Nuclear Waste Policy Act and a Standard Contract between utilities and the DOE, with respect to both Palisades and Big Rock, should be the subject of CECo's damage suit against the DOE in the U.S. Court of Claims, and should not be recovered from ratepayers. MEC/PIRGIM asserted that the ratepayers had fully funded SNF disposal in their SNF fees collected in rates with respect to pre-1983 generation, and in all rates subsequent to that date to the present. The ratepayers should not pay a second time for the same SNF disposal costs arising from the federal default. CECo acknowledged that the DOE related default costs at Big Rock included \$30 million paid by CECo to Entergy Nuclear Palisades (ENP), the purchaser of the Palisades plant, and the Big Rock SNF site and Palisades SNF site, and \$85 million incurred to undertake the storage of SNF at the Big Rock site.</p>
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Pending	<p>MPSC Case No. U-15244, the application by the Detroit Edison Company (DECo) for an increase in its electric rates.</p> <p>UCRF 08-01</p>	<p>DECo filed this rate case on April 13, 2007. MEC/PIRGIM filed their petition to intervene on May 31, 2007, which was granted by the ALJ at the June 7, 2007 pre-hearing. Thereafter, formal discovery was conducted by the parties, including MEC/PIRGIM, for several months. On November 20, 2007, the MPSC Staff filed a motion to extend the case schedule. At a hearing held on December 3, 2007, the ALJ granted an extension in the case schedule. Further discovery was undertaken by the parties thereafter. On February 20, 2008, DECo filed a substantial amendment to its case filing and rate request. A second pre-hearing was held on March 20, 2008, at which time a new case schedule was determined. Several months of discovery then ensued. On July 15, 2008, the Staff and Intervening Parties filed testimony and exhibits of expert witnesses in response to DECo's case (which included 4 expert witnesses sponsored by MEC/PIRGIM). This case will be the subject of hearings and briefing for the remainder of 2008.</p>

Pending	MPSC Case No. U-14701-R; CEC's 2006 PSCR Reconciliation Case (UCRF 07-02)	CEC filed this case on September 28, 2007. MEC/PIRGIM filed a petition to intervene on November 14, 2007, which was granted by the ALJ at a November 21, 2007 pre-hearing. The case has continued in 2008, with discovery, the filing of testimony by the parties, including MEC/PIRGIM, and substantial briefing by the Parties. An MPSC order is pending.
12/21/06 (Temporary PSCR factors) 8/21/07 (Final Order)	MPSC Case No. U-15002, the 2007 Power Supply Cost Recovery (PSCR) case for the Detroit Edison Company (DECo) UCRF 07-02	The Commission issued its final order on August 21, 2007. MEC/PIRGIM limited its role in this case to monitoring and review, as the case involved primarily technical ratemaking issues addressed by other parties. ((Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).
12/21/06 (Temporary PSCR factors) 4/22/08 (Final Order)	MPSC Case No. U-15001; the 2007 PSCR Plan case for Consumers Energy Company (CEC) UCRF 07-02 UCRF 08-01	CEC filed additional direct testimony on May 1, 2007. On June 1, 2007, intervenors filed testimony, including MEC/PIRGIM. On June 18, 2007 supplemental testimony was filed by the Attorney General, and rebuttal testimony was filed by CEC. Hearings were held on July 10, 2007. The expert witness for MEC/PIRGIM presented testimony concerning MEC/PIRGIM's position that 100% of proceeds that CEC received for the sale of SO ₂ pollution control allowances should be credited to ratepayers, which includes a total of \$62.1 million in proceeds from both pollution allowance sales and EPA auctions. MEC/PIRGIM also sponsored testimony recommending a disallowance for a CEC claimed expense for a fee paid to the federal decontamination and decommissioning fund on the basis that CEC was double recovering for some of the same fee expenses, both through the PSCR clause, and also in the securitization process undertaken in 2001 pursuant to the provisions of 2000 PA 141 and 142. A second hearing was also held on July 20, 2007. On August 10, 2007 the parties including MEC/PIRGIM filed initial briefs. On August 24, 2007, MEC/PIRGIM filed its reply briefs. The ALJ issued a Proposal for Decision on September 28, 2007. MEC/PIRGIM filed exceptions to the PFD on October 22, 2007. On November 2, 2007 MEC/PIRGIM and other parties filed replies to exceptions. The Commission issued its final order on April 22, 2008, referring the issues in U-15001 to the Commission's decision in CEC's 2006 PSCR reconciliation case, U-14701-R, pursuant to an order also issued on April 22, 2008, on a combined evidentiary record including Case No. U-15001 and U-14701-R. A description of U-14701-R is included in this report. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).

<p>3/27/07 (Final Order)</p> <p>6/26/07 (Order denying rehearing)</p>	<p>MPSC Case No. U-14992; CECo's application for the approval of a Purchase Power Agreement (PPA) and for other relief in connection with the sale of the Palisades nuclear plant and other assets.</p> <p>UCRF 07-02</p>	<p>The Commission issued an Order on March 27, 2007 that granted substantial refunds to ratepayers consistent with recommendations made by MEC/PIRGIM (i.e., proceeds above book value -\$66 million- be refunded to ratepayers; the order also required this amount to be refunded to ratepayers over 18 months). The order deferred several other major pending issues raised by MEC/PIRGIM to CECo's recently filed rate case, U-15245, which MEC/PIRGIM also intervened in, and which is summarized earlier. Following the filing of testimony, the parties engaged in extensive formal discovery. On January 11, 2007, MEC/PIRGIM, jointly with certain local units of government located near the Palisades nuclear plant, filed a joint motion and brief to postpone the proceedings, or alternatively, to consolidate the proceedings with requested hearings to ensure the protection of and proper allocation of the proceeds arising from the proposed sale and transfer of Palisades and Big Rock facilities to ENP. The ALJ denied this motion at the commencement of hearings. Evidentiary hearings were then held during the period January 16, 2007 through January 25, 2007. On February 1, 2007, the Attorney General filed a motion to reopen the proceedings. On February 5, 2007 MEC/PIRGIM filed a response in support of the Attorney General's motion. On February 6, 2007, the MPSC issued an order reopening the proceedings. Thereafter, MEC/PIRGIM filed a motion to compel CECo to respond to formal discovery that sought information concerning that portion of CECo's claimed investment in the Palisades plant that related to costs incurred for SNF disposal caused by the federal government's default in its disposal contract. MEC/PIRGIM asserted that the default costs should be collected by CECo in its damage suit against the federal government, rather than from ratepayers. On March 7, 2007, the reopened hearings were held, at which time the ALJ denied MEC/PIRGIM's motion to compel. Initial briefs were filed by the parties including MEC/PIRGIM on February 7, 2007. Reply briefs were filed by MEC/PIRGIM and other parties on February 20, 2007. On April 20, 2007 the Attorney General filed a petition for rehearing and clarification. On April 26, 2007 MEC/PIRGIM filed a motion for rehearing, reconsideration and to reopen the proceedings. On May 2, 2007 MEC/PIRGIM filed a response to a report filed on April 25, 2007 by CECo. On May 10, 2007 CECo filed a report concerning proceeds from the Palisades sale, and the negative surcharge to be implemented to provide for rate refunds to ratepayers, as required by the Commission's March 2007 order. Another CECo report on this subject was filed on May 14, 2007. Following filing of responses to the motions to reopen by the Attorney General and MEC/PIRGIM, the Commission issued its order on June 26, 2007 directing CECo to file certain reports and denying the petitions for rehearing. MEC/PIRGIM participated substantially in the formal hearings, and all briefing in this case. The Commission in its March 27, 2007 order provided for substantial refunds to ratepayers of certain decommissioning funds previously funded by ratepayers, as advocated by MEC/PIRGIM and other parties. The Commission's June 26, 2007 rehearing order, the Commission also clarified that all remaining "nuclear legacy issues" would be referred to CECo's next rate case, U-15245 (summarized earlier). (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>
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<p>12/22/05 (Temporary PSCR factors)</p> <p>9/26/06 (Permanent PSCR factors)</p> <p>5/22/07 (Order denying rehearing)</p>	<p>MPSC Case No. U-14702; DECo's PSCR Plan case for 2006.</p> <p>UCRF 06-02 UCRF 07-02</p>	<p>On May 22, 2007, the Commission issued its order denying MEC/PIRGIM's motion for rehearing (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>
<p>Court appeal decision pending</p>	<p>MEC/PIRGIM v MPSC and the Detroit Edison Co, COA Docket 278798, Appeal from MPSC Case No. U-14702</p> <p>UCRF 08-01</p>	<p>MEC/PIRGIM filed an appeal in the Michigan Court of Appeals from the Commission's orders in U-14702. MEC/PIRGIM thereafter filed their brief on the merits in the Court of Appeals. The MPSC and DECo filed responsive briefs. MEC/PIRGIM filed reply briefs in response to Appellees' responses. The Court appeal is awaiting the Court's notice for oral arguments; the case is pending a Court decision.</p>
<p>4/22/08 (Final Order)</p>	<p>MPSC Case No. U-14702-R; DECo's 2006 PSCR Reconciliation Case</p> <p>UCRF 07-02 UCRF 08-01</p>	<p>DECo filed this case on March 30, 2007. MEC/PIRGIM filed their petition to intervene on May 3, 2007, which was granted by the ALJ at a pre-hearing conference held on May 10, 2007. Following formal discovery, the Attorney General filed testimony on July 27, 2007. DECo filed rebuttal testimony on August 17, 2007. Hearings were held on September 11, 2007. Initial briefs were filed on or before October 3, 2007, with reply briefs filed on October 17, 2007 (MEC/PIRGIM did not file briefs). On December 14, 2007 the ALJ filed a Proposal for Decision. On January 4, 2008, the Attorney General and MEC/PIRGIM filed exceptions to the PFD. (MEC/PIRGIM's exceptions requested an errata correction to the ALJ's PFD which had contained certain factual errors concerning MEC/PIRGIM, which the ALJ corrected by an errata to the PFD issued on January 10, 2008). The Commission issued its final order on April 22, 2008. The order rejected a proposed disallowance of \$4.4 million asserted by the Attorney General relating to a technical equipment failure at a utility plant that resulted in additional outage expenses. MEC/PIRGIM limited its role in this case primarily to review and monitoring and did not take a position on the Attorney General's adjustment.</p>
<p>Court Appeal pending</p>	<p>MEC/PIRGIM v MPSC and CEC Co, COA Docket 274471 (appeal from MPSC Case No. U-14701)</p> <p>UCRF 08-01</p>	<p>On November 22, 2006 MEC/PIRGIM filed an appeal of the Commission orders to the Michigan Court of Appeals, which case remains pending. During 2007, MEC/PIRGIM filed their brief on appeal; the MPSC and CEC Co filed responsive briefs, MEC/PIRGIM filed replies to Appellees' responsive briefs; Oral Arguments were held before the Court in February 2008.</p>

4/22/08	<p>MPSC Case No. U-14701-R; CECo's 2006 PSCR Reconciliation Case</p> <p>UCRF 07-02 UCRF 08-01</p>	<p>CECo commenced this case with the filing of its application and pre-filed testimony on March 30, 2007. MEC/PIRGIM filed a petition to intervene on May 1, 2007, which was granted by the ALJ at the May 8, 2007 hearing. Thereafter, MEC/PIRGIM and other parties engaged in formal discovery. On August 31, 2007, MEC/PIRGIM filed the direct testimony and exhibits of an expert witness on 3 major issues involving MEC/PIRGIM's position that: (i) 100% of proceeds from the sale or auction of pollution control allowances should be credited to ratepayers, consistent with CECo's practice of charging 100% of said costs to ratepayers (this included \$58.7 million in SO2 allowance sales and nearly \$3.5 million in EPA auction proceeds); (ii) that 100% of profits made on the sale of land by CECo that was supported by ratepayers should also be credited to rates; and (iii) that the Commission should correct for a double recovery of fee charges in rates that CECo obtained for the federal decommissioning and decontamination fund (CECo securitized all estimated annual fees for this fund for the period 2001-2006 through its 2001 securitization accomplished under Act 141 and 142, while the fees also remained included in the frozen rates, including both base rates and PSCR rates, during the same period). MEC/PIRGIM participated in the formal hearings held on October 16, 2007. On November 13, 2007, MEC/PIRGIM filed its initial brief, followed by the filing of its reply brief on November 27, 2007. The ALJ issued his PFD on February 19, 2008. On March 11, 2008, MEC/PIRGIM filed exceptions, which was followed by the filing of replies to exceptions on March 18, 2008. On April 22, 2008 the Commission issued its order which rejected MEC/PIRGIM's position with respect to the profits on land sales, and the D&D fund fee issue. The MPSC allowed CECo to retain 50% of the profits made on the sale of land that had been held in rate base and supported in rates. The MPSC also allowed CECo to retain 30% of the proceeds realized from the sale of SO2 pollution allowances, or the sum of \$17.6 million. In so doing, the Commission rejected CECo's request to retain 50% of the proceeds from SO2 pollution control allowance sales, while rejecting MEC/PIRGIM's position that 100% of the proceeds should be credited to rates since 100% of the cost of said allowances are charged in rates to ratepayers. MEC/PIRGIM's position on this issue likely assisted in the Commission's reducing the amount CECo could retain to 30% of the SO2 allowance sales proceeds (\$17.6 million out of \$58.7 million) rather than 50%, for a cost savings to ratepayers of \$11.7 million. On May 22, 2008, MEC/PIRGIM filed a petition for rehearing and reconsideration of the Commission's April 22, 2008 order, to reassert that 100% of the proceeds from pollution control allowances should be credited to rates. An order on rehearing is pending before the Commission.</p>
7/5/07	<p>MPSC Case No. U-14274-R; CECo's 2005 PSCR Reconciliation Case</p> <p>UCRF 06-02 UCRF 07-02</p>	<p>Settlement agreement entered into by all parties including MEC/PIRGIM was approved by the Commission by its order dated July 5, 2007. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>

<p>Order issued 5/22/07</p> <p>Subject to rehearing petition from MEC/PIRGIM filed 6/21/07</p> <p>Order on rehearing issued 3/11/08</p>	<p>MPSC Case No. U-14275-R; DECo's 2005 PSCR Reconciliation Case</p> <p>UCRF 06-02 UCRF 07-02</p>	<p>The Commission issued its order on May 22, 2007 denying the refund credit to residential customers advocated by MEC/PIRGIM. On June 21, 2007, MEC/PIRGIM filed a motion for rehearing and reconsideration of this order. On March 11, 2008, the Commission issued its order denying rehearing. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>
<p>4/28/05 (Final Order)</p> <p>8/1/05 (Order denying rehearing)</p> <p>(Court of Appeals case)</p>	<p>MPSC Case No. U-13919; Indiana Michigan Power 2004 PSCR Plan and Reconciliation Case; also appeal in MEC/PIRGIM v MPSC and IM Power, Court of Appeals docket 274471,</p> <p><i>In re Application of IM Power</i>, 275 Mich App 369 (2007); appeal to Michigan Supreme Court Docket No. 134474</p> <p>UCRF 05-04 UCRF 06-02 UCRF 07-02 UCRF 08-01</p>	<p>On April 24, 2007, the Michigan Court of Appeals issued its decision <i>In re Application of IM Power</i>, 275 Mich App 369 (2007) affirming the Commission's orders. MEC/PIRGIM thereafter filed an appeal from the Court of Appeals decision (and Commission orders) to the Michigan Supreme Court in its Docket No. 134474. The Michigan Supreme Court denied MEC/PIRGIM's application for leave to appeal on January 22, 2008. MEC/PIRGIM thereafter filed a motion for reconsideration in the Michigan Supreme Court. In May 2008, the Michigan Supreme Court issued its order denying reconsideration. An appeal to the U.S. Supreme Court is being considered. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>
<p>11/23/04</p> <p>6/30/05</p>	<p>MPSC Case No. U-13808; Detroit Edison combined PSCR Plan/General Rate Case and U-13808 R. Appeals to Court of Appeals, including: Detroit Edison v MPSC, Docket 252966; Attorney General v MPSC, Docket 264191; ABATE v MPSC, Docket 264156; MEC/PIRGIM v MPSC, Docket 264131. Court of Appeals decision on July 3, 2007, 276 Mich App 216 (2007); appeals pending by several parties in Michigan Supreme Court including appeal by MEC/PIRGIM in Supreme Court Docket No. 134674</p> <p>UCRF 05-04 UCRF 06-02 UCRF 07-02 UCRF 08-01</p>	<p>The Michigan Court of Appeals issued its combined decision from several appeals in <i>In re Application of Detroit Edison Company</i>, 276 Mich App 216 (2007) reversing the Commission order with respect to the control premium issue, and remanding that issue to the Commission. Thereafter, several parties have filed appeals of the Court of Appeals decision to the Michigan Supreme Court, including MEC/PIRGIM's appeal in Michigan Supreme Court Docket 134674 which is pending. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>

Grantee: MCAAA		
8/21/2007	<p>MPSC Case No. U-15042; the application by Michigan Consolidated Gas Company (MichCon) for its Gas Cost Recovery (GCR) Plan for the 12 months ending March 31, 2008; consolidated with MPSC Case No. U-14800 (MichCon's application for the approval of the sale of gas supply in storage and related accounting changes)</p> <p>UCRF 06-03 (Extended to 7/30/07)</p>	<p>MichCon filed its GCR Plan case for the 12 months ending March 31, 2008, on December 28, 2006, in MPSC Case No. U-15042. MCAAA intervened in this case.</p> <p>The parties to the consolidated case U-15042/U-14800 engaged in formal discovery, and preparation of testimony and exhibit, and entered into extensive settlement negotiations. These negotiations resulted in a settlement agreement reached by all parties which was approved by the Commission's order dated August 21, 2007. The multi-faceted settlement agreement provided for a sharing of proceeds from the sale of "excess storage gas" between the utility and ratepayers, which resulted in rate offsets to the benefit of ratepayers in excess of \$20 million. The settlement also limited the gas rate factors to an agreed upon limit, and also required the company to conduct in-depth studies regarding several issues, including issues related to its accounting methods and gas storage practices. The utility also agreed to a moratorium with respect to increases in its base gas rates until late 2009 or 2010. The settlement also provided for MichCon to fund and implement pilot residential energy efficiency programs in the years 2008 and 2009, and to propose an expanded and robust energy efficiency and conservation program in its next rate case. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>
4/22/08	<p>MPSC Case No. U-14717-R; Gas Cost Recovery ("GCR") for MichCon for the 12 months ending March 31, 2007</p> <p>UCRF 08-03</p>	<p>MichCon filed this case on June 29, 2007. The MCAAA filed its intervention on August 22, 2007 which was granted by the ALJ on August 30, 2007. Following formal discovery, the parties (not MCAAA) filed intervenor or Staff testimony on or before February 14, 2008. The parties thereafter engaged in settlement discussions which resulted in a settlement agreement approved by the Commission on April 22, 2008.</p>
Order Pending	<p>MPSC Case No. U-14716-R; Gas Cost Recovery ("GCR") of Consumers Energy Company ("CECo") for the 12 months ending March 31, 2007</p> <p>UCRF 08-03</p>	<p>CECo filed this case on June 29, 2007. The MCAAA filed its intervention on August 22, 2007 which was granted by the ALJ on August 29, 2007. Following formal discovery, the parties (not MCAAA) filed testimony of expert witnesses on December 20, 2007, which was followed by rebuttal testimony by CECo on January 24, 2008. The parties filed briefs on March 13, 2008, with reply briefs filed on April 2, 2008. A Proposal for Decision ("PFD") was issued on April 29, 2008, which was followed by exceptions filed on May 13, 2008 and replies to exceptions filed on May 23, 2008. An MPSC order is pending. MCAAA limited its participation in this case to a review and monitoring role, and did not file briefs or exceptions.</p>
4/24/07	<p>MPSC Case No. U-14403-R; the application of CECo for a reconciliation of Gas Cost Recovery costs and revenues for the 12 month period ending March 31, 2006</p> <p>UCRF 06-03</p>	<p>A settlement was agreed to by all parties to the case, including MCAAA, and was filed with the Commission in March 2007. The Commission issued its order approving the settlement agreement on April 24, 2007. The settlement agreement provided for a refund credit by the utility to its gas customers in the amount of \$2.6 million. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>

12/18/07	<p>MPSC Case No. U-14401-R; the application of MichCon for a Gas Cost Reconciliation for the 12 month period ending March 31, 2006; subsequent Court of Appeals case.</p> <p>UCRF 06-03 UCRF 08-03</p>	<p>Hearings and briefings were conducted in 2007, which MCAAA fully participated in. The Commission issued its order on December 18, 2007, which made a downward rate adjustment of \$7.6 million related to the manner in which MichCon undertook certain gas purchasing practices. MichCon subsequently filed an appeal of the Commission's order to the Michigan Court of Appeals in <i>Michigan Consolidated Gas v MPSC et al</i>, Docket No. 282741. MCAAA is a party Appellee in the Michigan Court of Appeals, defending the Commission's downward rate adjustment. The Court of Appeals case is pending. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>
5/17/05	<p>MPSC Case U-13902; MichCon 2004 GCR Plan case (appealed in <i>MCAAA v MPSC and MichCon</i>, Court of Appeals Docket 263262). COA decision dated June 19, 2007, appealed to Michigan Supreme Court in its Docket 134559.</p> <p>UCRF 05-03 UCRF 06-03 UCRF 08-03</p>	<p>Following briefing and arguments, the Michigan Court of Appeals issued its June 19, 2007 unpublished opinion in <i>MCAAA v MPSC and MichCon</i>, Docket 263262 affirming the Commission's orders. MCAAA thereafter filed an appeal of the Court of Appeals decision (and Commission orders) to the Michigan Supreme Court in its Docket 134559. (Note: description of proceedings prior to 2007 reported in 2006 UCRF annual report).</p>

4. FINANCIAL REPORTING AND GRANT ADMINISTRATION

4.1 Calendar Year 2007 Remittances

The following information is compiled and provided by the Michigan Department of Labor and Growth (DLEG) for purposes of the Annual Report.

Public Act 304 of 1982 requires annual remittances to the Fund from any regulated utility company serving at least 100,000 customers. The total size of the fund is set at \$500,000 multiplied by a factor "set by the Board at a level not to exceed the percentage increase in...The consumer price index for the Detroit standard metropolitan statistical area...between January 1981 and January of the year in which the payment is required to be made." Since enactment of Act 304, total remittances have been as follows:

1982	\$630,600	1995	\$791,900
1983	\$653,400	1996	\$813,000
1984	\$582,250	1997	\$834,050
1985	\$569,600	1998	\$851,728
1986	\$592,650	1999	\$864,600
1987	\$596,050	2000	\$899,000
1988	\$615,250	2001	\$930,650
1989	\$650,450	2002	\$946,150
1990	\$683,450	2003	\$981,150
1991	\$715,300	2004	\$988,350
1992	\$728,650	2005	\$1,013,299
1993	\$745,838	2006	\$1,052,150
1994	\$760,266	2007	1,069,450

Remittances due from the six utilities serving at least 100,000 customers are calculated from the proportion of each "company's jurisdictional 1981 operating revenues...compared to the 1981 total operating revenues of all energy utility companies" contributing to the fund. This proportion, initially calculated in 1982 and recalculated in 1996, remains constant, and was applied to the six remitting utilities in the amounts shown in the table below.

<u>Source of</u> <u>Calendar Year 2007 Remittance Revenue</u>		<u>Distribution of</u> <u>Calendar year 2007 Revenue</u>	
<u>Utility</u>	<u>Amount</u> <u>Contributed</u>	<u>Recipient Allocated</u>	
Consumers Energy	\$438,083	Attorney General (47.5%)	\$ 507,989
Detroit Edison Co.	303,381	Intervener Grants (47.5%)	507,989
MichCon Gas Co.	268,311	Administration (5%)	<u>53,472</u>
Aquila Networks-MGU	23,169		
SEMCO	23,102		
Indiana Michigan Power	<u>10,404</u>		
TOTAL	\$1,069,450		\$1,069,450

Letters were sent to each utility on 4/03/07 and all remittances were made by 09/18/07.

In addition to the calendar year 2007 utility fees, interest was earned for the Fiscal Year ending 9/30/07. This was allocated proportionately between the Attorney General and the intervener grants. The intervener proportion totaled \$77,630.

4.2 Fiscal Year 2007 Appropriation and Accrued Funds

Total funding available for awarding intervenor grants was \$902,500 for FY07 as shown below and \$902,500 FY08 authorization subject to budget approval.

Intervenor Grant Funding for fiscal year 2007:

Appropriation (Public Act 345 of 2006)	\$950,000
Less 5% for Administration	<u>(47,500)</u>
Appropriation Available for Intervenor Grants	\$ 902,500
 New Revenue	 \$507,989
Fiscal Year 2004 Unreserved Fund Balance	1,297,276
Fiscal Year Interest Earned from Common Cash Fund	<u>77,630</u>
Total Available if sufficient spending authorization	\$ 1,882,895

4.3 Notification of Readiness to Proceed

The Act requires that the Public Service Commission not act on "an application for an energy cost recovery proceeding...until 30 days after it has been notified by the Board or the director of the Energy Administration...that the Board or the director is ready to process grant applications, will transfer funds payable to the Attorney General immediately upon [their] receipt...and will within 30 days approve grants and remit funds to qualified grant applicants." Additionally, the Act requires that "in order to implement the gas [or power supply] cost recovery clause....a utility annually shall file...a complete gas [or power supply] cost recovery plan...The plan shall be filed not less than 3 months before the beginning of the 12-month period covered by the plan." The electric utilities selected January 1, 2006 to December 31, 2007 as the 12-month plan period. Most of the gas utilities selected April 1, 2006 – March 31, 2008 as their 12 month period.

4.4 Scope of Work

Money from the Fund, less administrative costs, "may be used only for participation in administrative and judicial proceedings under sections 6h, 6i, 6j, and 6k [of P.A. 304] and in federal administrative and judicial proceedings which directly affect the energy costs paid by Michigan energy utilities." The Attorney General has issued formal and informal opinions to guide the Board regarding cost matters that may be covered by Act 304 grants. The Act describes several kinds of proceedings. Cases required by statute are:

Gas supply and cost review	Power supply and cost review
Gas cost reconciliation	Power supply cost reconciliation

Decisions in any of these four proceedings may be appealed to the appropriate courts.

Grant proposals were solicited for intervention in 2008-09 GCR Plan cases and 2007-08 GCR Reconciliation proceedings, 2008 PSCR Plan cases and 2007 PSCR Reconciliation proceedings and/or other cases relevant under Act 304.

4.5 Application and Selection Process

Act 304 limits eligibility for funding to non-profit organizations or local units of government in Michigan, places specific additional restrictions on applicants, and suggests criteria that could be used in the selection process.

Applications for grants were received from the Residential Ratepayer Consortium (RRC) and from the

Michigan Environmental Council (MEC)/ Public Interest Research Group in Michigan (PIRGIM), Michigan Consumer Action Agency Association (MCAAA) and American Association of Retired Persons of Michigan (AARP). To the extent possible, full participation in supply and cost reviews and in cost reconciliation cases was desired by the Board. The grant proposals submitted by the applicants provided intervention in all the GCR and PSCR proceedings for the major utilities in Michigan. GCR dockets of smaller companies were monitored for any precedent-setting issues.

After analyzing the proposed intervention, quality of previous work, experience of the applicants and their legal counsel, and the scope of interests represented the Board determined that the RRC, MEC/PIRGIM, and MCAAA proposals should be fully funded. Partial funding was granted to AARP. Additional budget detail was requested from MCAAA and MEC/PIRGIM. The board recommended AARP ascertain whether the data needed for the MISO study was available to complete the proposed work.

5. UPDATE ON THE LEGISLATIVE REVIEW OF ACT 304

Section 6m(23) of Act 304 requires a three-year legislative review of the costs and benefits attributable to the Act. The House Public Utilities Committee convened a series of hearings in the spring of 1986 allowing each of the interested parties an opportunity to present issues related to the first three years' experience under Act 304. As a part of this review process, the Board identified several issues of importance to residential ratepayers.

In the fall of 1986, the Michigan Public Service Commission sought to resolve some of those issues by initiating a review of the various suggestions that were directed toward the Commission by the Board, interveners, and the utilities. Recommendations resulting from this review were submitted to the Commission in the spring of 1987. The following discusses the issues initially identified by the Board and their current status.

ISSUE ONE: The Public Service Commission should refrain from dismembering Act 304 by holding separate proceedings for certain energy cost issues. The shifting of these issues to non-Act 304 cases strains resources available for intervention on behalf of residential ratepayers. Intervenors may have difficulty getting status and funding in the non-Act 304 cases. If they are able to intervene, they may be required to duplicate prior Act 304 efforts in the new proceeding.

The Board is concerned that the wording of Section 6m(17) of Act 304 unduly limits the ability to award UCRF funds for non-Act 304 cases that have a direct impact on energy costs paid by residential electric and gas customers of Michigan utilities.

STATUS: While there has been improvement in the detail provided in the Commission's Notices of Hearing to alert the public that in the non-Act 304 cases, there may be issues that affect purchased gas or electric power supply costs, the Board remains restricted in its ability to grant funds outside of Act 304 cases. New options should be considered for protecting Michigan's residential customers in light of restructuring and escalating gas and electric rates. However, the restrictive language of this section restricts the Board's ability to solicit and award grants for innovative proposals. The urgency of this issue is heightened in 2007 with the energy legislation package under consideration in the Michigan Legislature. The effect of some aspects of this legislation will seriously compromise the ability for effective UCRF funded intervention on behalf of ratepayers.

ISSUE TWO: Numerous and lengthy delays in the Act 304 process were a serious problem up to 1991.

STATUS: The Commission has taken steps to reduce the delays with the goal of issuing orders within nine months of the filing. It has also initiated a staggered filing schedule for gas cost recovery cases. Since the Board cannot accept a utility's filing until 30 days after certification of readiness, early

certification was needed to implement the staggered schedule. The Board supported the Commission's actions and in 1991, to allow for more staggering, the Board accelerated the entire grant award process by two months. Also in 1991, the Commission issued Proposed Guidelines for Completion of Cases (Order No. U-9832). In 1992, the Commission's new policy effectively solved the problem of delays in the Act 304 process. The Board commends the Commission for its actions.

ISSUE THREE: The Public Service Commission should adopt a more aggressive review of the utilities' five-year cost projections. Annual review of a utility's five-year forecast, as required by Act 304, is intended to provide an opportunity for future cost containment and increased efficiency.

STATUS: The Board encourages the Commission to continue to increase its scrutiny of the five-year forecasts and to create more rigorous filing requirements. Further the Board encourages the Commission to place greater emphasis on conservation and energy efficiency as part of reasonable and prudent supply planning, particularly in light of increasing energy prices and limited mitigation options for residential energy customers.

ISSUE FOUR: The Public Service Commission should disallow the recovery of costs that were not allowed prior to Act 304.

STATUS: This issue is resolved. Michigan courts have endorsed the Commission's designation of energy costs that may be recovered by electric and gas utilities under Act 304.

ISSUE FIVE: Information provided by the utilities should be standardized to reduce the time and effort required by interveners spent in obtaining information needed for presenting cases to the Public Service Commission.

STATUS: Filing of standardized information was recognized as an area of need during the Public Service Commission's review in 1987. However, the Commission has issued no formalized requirement for standardized information, and there has been no increase in voluntary compliance by the utilities. This issue was examined again during 1989, but final recommendations were not reached on this issue. The Board continues its support for standardized filings as a means of reducing intervention costs and improving time frames for hearing cases. Further, standardized filing will improve the Board's ability to independently analyze the impact of UCRF funded intervention in Act 304 proceedings.

ISSUE SIX: There is a need for increased intervener funding. The amount of funding available for intervention has been limited to the annual appropriation less administrative and operating costs incurred. The board does not have the advantage of a large number of in-house experts during the plan and reconciliation case proceedings. Adequate funding is needed to secure technical assistance of expert witnesses to aid in the process of case investigation, analysis and cross-examination.

STATUS: Fees charged by the most prominent expert witnesses have increased at a faster rate than funds available for intervention, resulting in a net decrease in expert witness testimony on behalf of residential ratepayers. If the Attorney General is not participating in a case, and therefore not available to jointly sponsor an expert witness, the interveners are often forced to reject bids from the most qualified expert consultants due to the lack of funds. Additionally, utilities are becoming more active in sponsoring rebuttal testimony. The interveners' legal counsel continues to donate time for carry-over cases.

This need for increased resources is heightened by recent, dramatic structural changes in the electric and natural gas industries. Those changes have a profound effect on the energy costs paid by residential utility customers. Without additional funding to support interventions in the various forums in which key decisions about those costs are being made, there is a real danger that the interests of homeowners and renters will not be advocated and that they will ultimately bear an unreasonable share of those costs. The

Board specifically requested an increase in the UCRF annual appropriation for the 2006-07 fiscal year. The annual appropriation for 2007 was increased substantially using accrued, unspent funds from previous years. Increasing the spending authorization will be effective until the reserve is depleted.

Questions regarding this report should be addressed to:

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